

Preliminary version approved
by the Board of Directors
OAO Sibneft
(Protocol No. ___ of _____ 2004)



2004 ANNUAL REPORT

OAO SIBNEFT



sibneft
2004 ANNUAL REPORT

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1. General Information

Open Joint Stock Company Siberian Oil Company (OAO Sibneft) was established in accordance with Decree #872 by the President of the Russian Federation, "On Founding of the Open Joint Stock Company Siberian Oil Company", of August 24, 1995 and Resolution #972 by the Government of the Russian Federation, "On Founding of the Open Joint Stock Company Siberian Oil Company", of September 29, 1995. OAO Sibneft was incorporated on October 6, 1995. The state, as Sibneft's founder, created a vertically-integrated company with assets comprised of shares in oil producer Noyabrskneftegas, the Omsk Refinery, geophysical enterprise NoyabrskneftegasGeophysica and marketing company Omsknefteproduct. The company was completely privatized in May 1997 and OAO Sibneft today remains a private-sector company.

Location, Mailing Address, Registration Data

Physical Address: 54 Frunze Street, Omsk region, 644160, Russian Federation

Mailing Address: 4 Sadovnicheskaya Street, Moscow, 115035, Russian Federation

The Omsk State Registration Chamber of the Omsk municipal administration registered Sibneft on October 6, 1995. Its registration certificate is #38606450.

Main State Registration No. 1025501701686.

Equity Capital and Shareholders

Sibneft's share capital totals 7,586,079.4224 rubles, formed through the placement of two common nominal share issues granting their holders equal rights. All stock in the company is in the form of voting shares. There are a total of 4,741,299,639 outstanding shares with a face value of 0.0016 rubles each. As of January 1, 2005, there were 11,666 shareholders listed in the shareholder register.

The largest shareholders are:

Registered Shareholders	% of Equity
ZAO West Siberian Depository (Nominee shareholder)	58.00
OOO Deutsche Bank (Nominee shareholder)	34.54
ZAO ABN AMRO Bank A.O. (Nominee shareholder)	0.41
ZAO Depository-Clearing Company	0.70
ZAO Brunswick UBS Nominees (Nominee shareholder)	1.54
ZAO ING Bank (Eurasia) (Nominee shareholder)	3.97



Auditor

Independent accounting firm Ernst & Yong audited Sibneft's 2004 accounting and financial statements.

Contact information for Ernst & Young:

Address: 77/1 Sadovnicheskaya Naberezhnaya, Moscow, 115035, Russian Federation

Telephone/Fax: +7 (095) 755-9700 / (095) 755-9710

Registrar

Sibneft's registrar is OAO Registrar R.O.S.T., a specialized registrar acting on the basis of Federal Securities Commission license #10-000-1-00264 of December 3, 2002. The firm is ranked among the top five registrars in Russia, managing the property rights of over three million securities holders. It has a broad regional network, and combines years of experience with reliable registration and management technologies that comply with international standards.

The register holder renders shareholders registrar-keeping related services and also functioning as OAO Sibneft's returning board and dividend payment agent.

Address: 18 Stromynka Street, Bldg. 13
Moscow, Russia

Telephone: +7 (095) 786-6975

Fax: +7 (095) 786-6974

Internet: <http://www.rrost.ru>

E-mail: rost@rrost.ru



2. Sibneft's Position in the Industry

In 2004, the Russian oil and gas sector reached a record level of hydrocarbons production, refining and exports for the past decade, largely stemming from high world energy prices.

The price of a barrel of Urals brand crude in 2004 rose by 27.4% and averaged \$34.8 for the year.

Oil Production

Russia's oil and gas condensate output in 2004 totaled 458.8 million tons, or 37.4 million tons more than in 2003. However, the rate of growth in oil production and condensate in 2004 fell by 2% from the previous year, reaching 8.9%, or about the same level of growth as in 2002.¹

All of the major oil companies increased their production volumes in 2004. As in the previous year, more than 65% of oil production was attributable to the "big four": Yukos, Lukoil, TNK-BP and Surgutneftegas.

Table 1: Oil and Gas Condensate Production (thousand tons)

	2003	Share	2004	Share	% Growth (2004)
Yukos	80 747	19.2%	85 679	18.7%	6.1%
Lukoil	78 870	18.7%	84 068	18.3%	6.6%
TNK-BP	61 579	14.6%	70 260	15.3%	14.1%
Surgutneftegas	54 025	12.8%	59 620	13.0%	10.4%
Sibneft	31 448	7.5%	34 042	7.4%	8.2%
Tatneft	24 669	5.9%	25 099	5.5%	1.7%
Slavneft	18 097	4.3%	22 009	4.8%	21.6%
Rosneft	19 569	4.6%	21 602	4.7%	10.4%
Bashneft	12 046	2.9%	12 073	2.6%	0.2%
Gazprom	11 022	2.6%	11 964	2.6%	8.5%
Other	29 275	6.9%	32 390	7.1%	10.6%
Total	421 347	100.0%	458 805	100.0%	8.89%

Slavneft and TNK-BP led the industry in terms of organic growth, with 21.6% and 14.1%, respectively.

Sibneft's production increased by more than 2.5 million tons, to 34.042 million tons, in 2004.

¹ The rate of hydrocarbons production growth had been increasing with each passing year: in 1999, annual production grew by 0.5%; in 2000, by 5.9%; in 2001, by 7.7%; in 2002, by 8.8%; and in 2003, by 11.2%.



Refining

The volume of primary refining at Russia's refineries increased by 3% to 190.1 million tons in 2004.² The substantial difference between refining growth and increases in the level of crude oil production is evidence of the limited demand for petroleum products in domestic markets.

Table 2: Crude Oil Deliveries to Russian Refineries (thousand tons)

	2003	Share	2004	Share	% Growth (2004)
Lukoil	34 024	18%	35 249	19%	3.6%
Yukos	30 633	17%	31 542	17%	3.0%
Surgutneftegas	15 212	8%	15 965	8%	4.9%
TNK	14 319	8%	14 676	8%	2.5%
Sibneft	13 832	7%	14 308	8%	3.4%
Slavneft	11 708	6%	12 430	7%	6.2%
Rosneft	9 528	5%	9 295	5%	-2.4%
Gazprom	5 004	3%	5 332	3%	6.6%
Sidanco	4 637	3%	5 509	3%	18.8%
Moscow refinery	9 432	5%	9 398	5%	-0.4%
Salavat-Nefteorgsintez	6 218	3%	6 259	3%	0.7%
Nizhnekamsk Refinery	6 091	3%	6 443	3%	5.8%
Khabarovsk Refinery	3 037	2%	2 904	2%	-4.4%
Bashneftekhim	19 151	10%	18 315	10%	-4.4%
Others	1 776	1%	2 551	1%	43.6%
Total	184 602	100%	190 174	100%	3.0%

The traditional leader in primary processing volume is Lukoil (35.2 million tons), with Sidanco showing the most substantial growth (18.8% increase in primary processing, Saratov Refinery).

It is important to note that the percentage of overall domestic crude oil production processed at Russia's refineries is decreasing each year. In 2002, Russian refineries processed 47.5% of total crude oil production, while in 2003 that figure was 43.8% and in 2004, only 41.4%.

Oil Exports

In 2004, Russian oil exports abroad and deliveries to non-CIS refineries, not including transit, reached 222.8 million tons, or 48.5% of total crude oil production.

The bulk of Russian exports go to international (non-CIS) markets, where the prices are highest. Some 182.5 million tons were shipped to non-CIS countries (more than 80% of total Russian oil exports). The principal export volumes went through the Transneft system which transported 175.7 million tons to foreign markets, or more than 96% of Russian oil exports to those destinations.

² This figure does not include primary refining at mini refineries, which totalled 3.8 million tons in 2004.

**Table 3: Russian Oil Exports via the Transneft System (mln. tons)**

	2003	Share	2004	Share	% Growth (2004)
YUKOS	29 632	20%	34 047	19%	15%
LUKOIL	27 108	18%	33 029	18.7%	22%
TNK	18 767	13%	26 721	15%	42%
Surgutneftegas	18 278	12%	20 867	12%	14%
Sibneft	11 612	8%	13 371	8%	15%
Tatneft	10 484	7%	12 023	7%	15%
Slavneft	5 815	4%	8 182	5%	41%
Rosneft	6 388	4%	6 764	4%	6%
Sidanco	8 252	6%	4 122	2%	-50%
Bashneft	3 861	3%	3 861	2%	0%
Others	9 622	6%	12 760	7%	33%
Total	149 819	100%	175 747	100%	17%

Sibneft's oil exports through the Transneft system increased by 1.7 million tons in 2004 to 13.3 million tons.



3. Key Operational Priorities

Some key operational objectives pursued by Sibneft include:

- Maintaining steady oil production growth
- Expanding resources base
- Commercial sale of associated gas
- Modernization of oil refining capabilities in order to meet new quality standards for oil products
- Increasing activity in the regions where the company is present; strengthening the company's position in new sales markets for oil products
- Working towards more reliable managerial decision making
- Employee development

4. Report of the Board of Directors on Corporate Developments in Core Operations

OAO Sibneft was an industry leader among Russian oil companies in the year 2004. From 2000 through 2004, the company demonstrated among the highest oil production growth rates in the industry and ranked fifth among oil producers in the Russian Federation. The company's share of nationwide oil production in 2004 reached 7.4%.

A 3.4% increase in oil refining volumes at the Omsk Refinery in 2004, from 13.8 million tons to 14.3 million tons, was accompanied by a 9.1% rise in oil refined at the Moscow Refinery from 2.98 million tons to 3.25 million tons.

Sibneft also has a strong position in the retail market for oil products. The company possesses one of the nation's most developed sales networks. The total number of filling stations, including proprietary locations, franchisees and dealers, increases from 1419 to 1800, mainly due to dealer stations reselling the company's petroleum products. Sales of oil products through proprietary service stations increased by 20% and accounted for 10% of overall domestic oil product output. Sibneft's share of diesel and gasoline retail sales in the Russian Federation reached 19%, including from 28% of gasoline 28% and 9% of diesel.



Key Operational and Financial Statistics

No	Description	Unit	2003	2004	2004 as % of 2003
1	Oil production	thousand tons	31 447.8	34 041.8	108.2
2	Associated gas production	million m ³	2 002.7	1 986.2	99.2
3	Total refined desalinated crude oil	thousand tons	16 812.2	17 558.1	104.4
	<i>incl. Omsk Refinery</i>	"	13 832.1	14 308.1	103.4
	<i>incl. Moscow Refinery</i>	"	2 980.1	3 250.1	109.1
4	Total refined products	"	12 907.9	13 234.7	102.5
	<i>incl. Omsk Refinery</i>	"	10 427.0	10 532.1	101.0
	<i>incl. Moscow Refinery</i>	"	2 480.9	2 702.6	108.9
	<i>... of which automotive gasoline</i>	"	3 786.2	3 889.5	102.7
	<i>incl. Omsk Refinery</i>	"	3 143.5	3 183.5	101.3
	<i>incl. Moscow Refinery</i>	"	642.7	706.0	109.9
	<i>... of which diesel</i>	"	5 414.7	5 542.7	102.4
	<i>incl. Omsk Refinery</i>	"	4 601.4	4 643.8	100.9
	<i>incl. Moscow Refinery</i>	"	813.4	898.9	110.5
	<i>... of which TS1 (jet fuel)</i>	"	759.9	924.7	121.7
	<i>incl. Omsk Refinery</i>	"	602.2	757.0	125.7
	<i>incl. Moscow Refinery</i>	"	157.7	167.7	106.4
	<i>... of which fuel oil (commercial)</i>	"	2 718.0	2 664.5	98.0
	<i>incl. Omsk Refinery</i>	"	1 850.8	1 734.6	93.7
	<i>incl. Moscow Refinery</i>	"	867.2	929.9	107.2
	<i>... of which lubricants</i>	"	229.1	213.3	93.1
	<i>incl. Omsk Refinery</i>	"	229.1	213.3	93.1
	<i>incl. Moscow Refinery</i>	"	0	0	
5	Depth of refining (Omsk Refinery)	%	83.0	84.5	
6	Output of light oil products (including aromatic hydrocarbons)	thousand tons	9 786.0	10 459.9	106.9
7	Oil product sales	thousand tons	16 800.3	16 388.2	97.5
	<i>incl. Russia and the CIS</i>	"	11 404.6	11 221.3	98.4
	<i>incl. non-CIS</i>	"	5 395.7	5 166.9	95.8
8	Net income from sales for OAO Sibneft (excluding subsidiaries)	million rubles	107 374.5	177 928.6	165.7
9	Payroll at end of period (total)	persons	42 399	43 311	102.2
	Payroll at end of period (excluding subsidiaries)	persons	21 107	20 971	99.4
	<i>incl. OAO Sibneft</i>	persons	769	1 087	141.4



Stock Market Performance in 2004

The year 2004 was marked by volatility on Russian equity markets. Sibneft's shares on the RTS Stock Exchange varied within a wide range from \$2.4 to \$3.8 per share, ending the year at \$3.

Sibneft shares are listed on following exchanges:

- "B list" – Moscow Interbank Currency Exchange (<<http://www.micex.ru/stock>>). Ticker symbol - SIBN;
- "B list" – JSC RTS Stock Exchange (<<http://www.oaorts.ru>>). Ticker symbol - SIBNG;
- "B list" – Russian Trading System Stock Exchange (<<http://www.rts.ru>>). Ticker symbol - SIBN.

The company's level-1 ADR (American Depositary Receipts) program provides international investors with the ability to make transactions involving the ADRs at the Berlin Stock Exchange and the Frankfurt Stock Exchange.

By year-end 2004, OAO Sibneft ranked fourth among Russia's largest companies in terms of market capitalization:

Rank	Name	Market Capitalization December 31, 2004 billion USD
1.	Gazprom	65,00
2.	Surgutneftegas	30,86
3.	Lukoil	26,01
4.	Sibneft	14,22

Dividends in 2004

Sibneft's Board of Directors has not put forward a resolution to pay dividends based on the company's 2004 financial results.



5. Key Risk Factors Associated with the Company's Operations

Summary Assessment of Key Corporate Risks

No	Description	Risk Assessment
1	Sector risk	Insignificant
2	Country and regional risk	Moderate
3	Financial risk	Moderate
4	Legal risk	Moderate
5	Operational risk	Moderate
6	Acquisitions risk	Insignificant
7	Corporate governance	Moderate

Description of Key Corporate Risks

1. Sector Risk

Insignificant

The company's sector risks are determined by competition, processes in domestic and external industry markets, domestic and external prices for raw materials, services and products, and evolution processes in the company and its competitors.

The company's stable and dynamic growth enables it to occupy and maintain a strong and confident position among the industry's leaders in the domestic market, which reduces to an acceptably safe level the potential adverse impact of the aforementioned risks.

Prices for raw materials and products on both domestic and external markets, which are beyond the company's control, exert significant influence on the company's financial performance, profit and investment.

Steady high oil prices in export markets and stable demand for oil and products domestically do not presage any deterioration of the situation in the industry in the near future. Should that situation change, it is possible to mitigate any adverse impact by realigning the volumes of export and domestic oil products sales in accordance with price fluctuations.

A critical drop in world prices for Russian oil to 14-16 US dollars would not precipitate a failure by the company to cover its obligations.



A limited adverse impact on the company's performance could result from an increase in the costs of energy, services and transportation of raw materials and products, which is basically beyond the company's control. To diminish the influence of these risks, the company has been taking measures to use alternative energy and its own energy sources, concluding long-term contracts and seeking to optimally redistribute transportation volumes across transport formats (pipeline, railway, sea transport).

The company's actions vis-a-vis sector risks depend on a particular situation in each particular case, and are aimed at ensuring the unconditional fulfillment of its obligations.

In the reporting period and at this stage in the company's operations, sector risk has been insignificant.

2. Country and Regional Risk

Moderate

Country risks for the company are determined by Russia's inherent social, political and economic risks and the international financial rating of Russia, which is beyond its control.

The principal activities of the company occur in the Siberian and Central Regions. The economic and social risks and the development prospects of these regions are reflected in the Program for the Socioeconomic Development of the Russian Federation for the Medium Term.

The risks of military conflict, popular unrest, strikes, and declaration of a state of emergency are low in the regions where the company operates.

Also low for the company in the regions where it operates are risks associated with natural and climatic features, natural disasters and traffic disturbances.

Events in the social, political and economic life of Russia, and the reforms being carried out, directly or indirectly affect the company's activities. The stabilizing social and political situation and economic growth in Russia, along with Russia's successful servicing of its external debt and stable international financial rating, tend to reduce the adverse impact of country risks on the company's activities.

Nevertheless, considerable influence on the company's activities may be exerted by the decisions of local, regional or state (including foreign) authorities with respect to taxation, tariffs, quotas, trade barriers, currency regulation, nonresident ownership share restraints, nationalization, subsidies, licensing and antimonopoly policies, the setting of interest rates and refinancing rates, expropriation and the seizure of assets.



Sibneft's actions in case of adverse developments in the situation in the regions where it operates depend on how much these changes affect its performance, and are decided upon in each specific case by the methods that are available for mitigating the impact to the lowest possible level.

In the reporting period and at this stage in the company's operations, country/regional risk has been moderate.

3. Financial Risk

Moderate

In line with its strategic development plan, the company has been intensively building up and expanding its business activity, employing for this purpose both its own and borrowed funds (secured and unsecured). The company's current standing, and the market situation, permit it to borrow funds with an acceptable cost of capital, therefore the risk associated with the need for capital is insignificant.

The company has been pursuing a well-balanced policy with respect to the use of its own and borrowed funds and at present has ratings by Moody's (Ba2/Ba3) and Standard & Poor's (B+).

The company is subject to both currency risks and risks of a change of interest rates, as it employs considerable borrowed funds, including loans secured by supplies of oil traded in dollar prices. As a result of this, the company's performance is subject to impact of fluctuations in the ruble's rate of exchange against foreign currencies, but the risk of such fluctuations is insignificant on the scale of the company.

The company's profit is also adversely affected by the strengthening of the ruble exchange rate and by its real and nominal rate, which increases tax liabilities and adds to overall expenses.

A number of currency regulation restrictions also exert a negative influence, in particular restrictions on the conversion of ruble earnings into foreign exchange and back.

Among other negative factors is inflation, which, despite some stabilization, is responsible for growth in costs and therefore a decrease in income, but current and forecasted levels of inflation are far from critical values for the industry and the company.

The company does not resort to hedging for those risks, and in each particular situation draws upon internal financial risk management instruments and reserves that enable it to guarantee the fulfillment of its obligations.

In the reporting period and at this stage in the company's operations, financial risk has been moderate.



4. Legal Risk

Moderate

The company's performance is definitely influenced by reforms being pursued in Russia. Among them are currency regulation, banking, judicial, customs and taxation systems and laws on land use, rational management of the environment, use of mineral resources, extraction of raw minerals and other reforms.

The event of introduction of any of the following items could be assigned to the group of substantial legal risks for the company:

- amendments to the Tax Code of the Russian Federation
- new currency regulation provisions
- new rules in the field of licensing
- amendments to legislation on mineral resources
- amendments to legislative acts on charges for adverse environmental impact.

In the reporting period, none of the company's licenses were revoked, and the risk of revocation or non-extension of licenses is insignificant.

In the reporting period, there have been no changes in judicial practice on issues which could have a negative impact on the company's activities.

Legal risks in the reporting period have had no substantial influence on the company and did not affect the company's fulfillment of its obligations.

In the reporting period and at this stage in the company's operations, legal risk has been moderate.

5. Operational Risk

Moderate

The company is at risk from the absence of diversification in its commercial activities into areas different from, extracting, processing and marketing oil and oil products. This risk is compensated for by the stable financial condition of the company, by its quality asset mix, and by the highly professional managerial team.

Operational risks in prospecting for, extracting, preparing and transporting oil are insignificant on the scale of the company.

Restrictions on exports could also have a limited adverse impact on the company's exports, which could occur as the result of a large-scale accident or natural disaster in a cargo port or terminal or in the Transneft pipeline system, which is beyond the company's control. The degree of that adverse impact is mitigated by the



diversification of its export cargo volumes between the ports of Novorossiisk, Tuapse, Primorsk, Butinge, the Druzhba oil pipeline, and carriage by rail. Based on this, operational risks in oil and products export are moderate on the scale of the company.

The company's activities are subject to risks of accident and breakage of main production equipment. To reduce such risks at the Omsk Refinery, the company is carrying out a set of preventive measures and a large-scale program for the replacement of old equipment. The Omsk Refinery's equipment is insured against damage due to fire, explosion or natural or other disasters, but there is no such insurance for the Moscow Refinery, involved in the commercial processing of the company's products. A lengthy disruption or reduction of production at these refineries because of a major accident can inflict on the company a substantial loss, the risk of which is also not insured. The company is in a position to manage, in part, losses due to a operational disruption by increasing product output at other refineries that are not working at full capacity. Nevertheless, since major accidents occur at oil refineries statistically once in 10 to 30 years, operational risk related to oil processing is assessed as moderate.

Risks associated with ecology and environmental protection are moderate on the scale of the company. The company is carrying out an extensive set of measures to reduce harmful impact on the environment and ecosystem, to reduce emissions, to reclaim lands and to process waste, and complies with the requirements of current legislation.

The risk of loss of important information for the company is moderate.

A loss of the company's office building or key personnel (as a result of an explosion, fire, illegal actions, airborne vehicle crash, or other reason) might inflict tangible damage on the company's activities. However, because of the low probability of such events, the related operational risk is moderate.

In the reporting period and at this stage in the company's operations, operational risk has been moderate.

6. Acquisitions Risk

Insignificant

In keeping with its strategic development plan, the company aims to increase its equity participation in other companies, and to acquire other companies and commercial and production assets. The company assesses potential investments and acquisitions comprehensively from the point of view of existing risks, problems in the integration of the assets to be bought into its own structure, relations with shareholders and subsidiary companies, existing and possible liabilities, legal and financial aspects and the introduction of the company's adopted management standards and policies.

In the reporting period and at this stage in the company's operations, acquisitions risk has been insignificant.



7. Corporate Governance

Moderate

The company's corporate relations are governed by its Charter (articles of incorporation) and internal documents, and are subject to the current laws of the Russian Federation.

Company management is highly professional and can promptly make decisions. Top management includes former and present shareholders, and plays a significant role in overseeing the strategic and day-to-day activities of the company.

Among the main factors possibly affecting corporate governance are: the process of canceling the deal for the merger with NK YUKOS, issuance of securities and American depository receipts, relationship between external and minority shareholders, personal relationships inside top management, limited disclosure of information about company's shareholders membership and inadequate insurance protection for the liability of officers and directors of the company.

In the reporting period and at this stage in the company's operations, corporate governance risk has been moderate.



6. Corporate Activity

About the Work of Managerial Bodies

Over the reporting period, the company held three general meetings of shareholders. They approved changes to the company's official address in its corporate Charter (articles of incorporation), moving it to a the city of Omsk from Omsk region. The meetings also approved changes in the Charter regarding the acquisition of affiliated firm Orion LTD.

In cumulative voting, under the corporate Charter, a Board of Directors, made up of nine members, is to be elected by a general meeting of shareholders.

Members of the Board of Directors

Name	Equity stake as of Jan. 1, 2005 (%)	Biography
 <p>Konstantin Nikolayevich Potapov</p>	n.a.	Born in 1956, Mr. Potapov is a graduate of the Institute of Light Industry and Textiles. He began working at the Omsk Refinery in 1981 and, from 1991-1996, served in the posts of production manager, deputy general director and president of the refinery. Mr. Potapov has served as vice president of Sibneft since 1996 and has been a member of the company's Board of Directors since 1997.
 <p>Eugene Markovich Shvidler</p>	0.00000021%	Born in 1964, Mr. Shvidler is a graduate of the I. M. Gubkin Moscow Institute of Oil and Gas with a specialty in applied mathematics. In 1991, he received an MBA in finance and international tax accounting from Fordham University. From 1992 until 1994, he was a member of Deloitte & Touche's New York international tax group. Mr. Shvidler joined Sibneft as senior vice president in 1996 and has served as president of the company since July 1998. He has been a member of the Sibneft Board of Directors since 1997.
 <p>Tatyana Alexeyevna Breeva</p>	0.00000021%	Born in 1951, Ms. Breeva is a graduate of the Plekhanov Moscow National Economics Institute with a degree in accounting. From 1990 through 1996, she was employed as chief specialist in the audit department of Deloitte & Touche. In 1996-1997, she served as deputy chief accountant at shipping company Sovmortrans. Ms. Breeva has been working at Sibneft since 1997, initially as head of the Internal Audit Department and later as chief accountant. She was appointed vice president for finance in March 2001 and joined the company's Board of Directors that same year.



	n.a.	<p>Born in 1961, Mr. Stavskiy is graduate of Ufa Oil Institute. From 1993 to 1998, he was employed as Head of Oil and Gas Production Department of "Muravlencovskneft". From 1998 to march 2004, he worked as Chief- Engineer and First Deputy General Director, General Director of JSC Sibneft-Noyabrskneftegas. At present time he is combining posts of Director OAO Sibneft-Noyabrskneftegas and Vice President of OAO Sibneft.</p>
	n.a.	<p>Born in 1947, Mr. Poltorak is a graduate of Lviv Polytechnic Institute and Tyumen State University. From 1988 to 1996, he worked as assistant to the general director of Noyabrskneftegas. Mr. Poltorak held several managerial positions in Sibneft beginning in 1996, and was appointed vice president for administration in 1997. He has been a member of the Board of Directors since 2000.</p>
	0.00000021%	<p>Born in 1945, Mr. Novikov is a graduate of the Moscow Institute of Economics and Statistics. From 1993 to 1995, he served as a consultant and department manager in the Russian government's administrative apparatus. From 1995 to 1996, he worked as executive director of the Property Management Department of oil company Sidanco. Since 1996, Mr. Novikov has been head of the Corporate Management Department of Sibneft. He has been a member of the Board of Directors since 1997, and serves as secretary to the Board.</p>
	n.a.	<p>Born in 1973 and a graduate of the Russian Economic Academy, Mr. Tyryshkin worked from 1996 to 1998 as a division head at the Federal Securities Commission. From August 1998 to June 2001, he served as chief executive of the National Association of Stock Market Participants (NAUFOR). From June 2001 until April 2003, he worked as president of the Russian Trading System (RTS) stock exchange and from April through October 2003, as executive director of ZAO Skrin. From October 2003 to may 2004 he has been president of LLC Russkoye Zerno. Since May 2004 he has been Senior Executive Director of ZAO United Financial Group. Mr. Tyryshkin joined the Sibneft Board of Directors an independent member in 2001.</p>
	n.a.	<p>Born in 1952 and a graduate of Tyumen Engineering and Construction Institute with a specialty in industry and civil construction. From 1993 to 1999, he worked as Chairman of the Board of Directors of OAO Yamal Fund. Since 1999, he has been General Director of OAO Yamal Fund, and since 2002 Chairman of the Board of Directors OAO Investment Management Company Yamal. He previously served as an independent director on the Sibneft Board of Directors in 2001-2002.</p>



 <p>Albert Alexeyevich Gavrikov (independent director)</p>	n.a.	<p>Born in 1970, Mr. Gavrikov is a graduate of the National Economics Academy, where he earned a higher degree in strategic management in the Executive MBA program. Since 1997, he has worked at the Aton Investment Group, serving in the capacity of managing director from 1997 until April 2005. Since April 2005- Chairman of the Board of Directors ZAO Managing Company AG Asset Management . The magazine Kariera (Career) ranked Mr. Gavrikov as one of the 30 best corporate strategists in Russia in 2001. Mr. Gavrikov was elected to the Sibneft Board of Directors as an independent director in 2002.</p>
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The professional skills and experience of Sibneft's directors guarantee effective performance from the Board of Directors, while the presence of independent directors accredited with the Association of Independent Directors and the Russian Institute of Directors is designed to build investors' trust in the company. The Declaration of Independence signed by independent directors has established independence criteria matching the criteria recommended by the Federal Securities Commission Code of Corporate Conduct. Executive directors (members of the company's Board) account for less than a quarter of its members. The Chairman of the Board of Directors has worked in this post for seven years and has built up a reputation as a professional in the company's field of operations.

The General Shareholders Meeting has approved bonuses to the members of the Board of Directors equivalent to 10,000 US dollars for each member.

The presence of three independent directors on the board facilitates the formulation of objective opinions on issues under consideration. The company's bylaws fix a special quorum for board meetings when making significant decisions – at least six members should be present and/or express their opinion in writing, including at least half of current independent directors.

Board of Directors members who supervise certain areas of the company's operations take part on a regular (weekly) basis in the activities of the Operations Board, a collective consultative body coordinating the activities of structural units of the company, and monitoring the implementation of production and financial plans and programs for the company and its subsidiaries.

Three committees work under the Board of Directors, each led by an independent director: the Audit Committee, the Personnel and Remuneration Committee and the Minority Shareholders Committee.

In the reporting period, the Board of Directors met in 10 sessions, during which it approved decisions concerning deals with interested parties, the convening of shareholders meetings, and preparations for those meetings.



Executive Bodies and Their Activities

The office of president is Sibneft's only individual executive body. Eugene Markovich Shvidler has been the company's president since 1998. He was elected for a new five-year term of office during the annual shareholders meeting in 2002.

The Management Board is the company's collective executive body. It consists of three members appointed by the Board of Directors on April 24, 2001:

- Eugene Markovich Shvidler, president and management board chairman
- Alexander Leonidovich Korsik, senior vice president and chief operating officer
- Tatyana Alexeyevna Breeva, vice president-finance and CFO

The Management Board held three meetings during the period under review (2004). The Management Board discussed issues related to the registration of rights to property under permanent use. It also approved the company's business targets and reviewed the payment of bonuses to employees based on 2004 results.



7. Observance of the Corporate Code of Conduct

All shareholders are entitled to receive effective protection in the event that their shareholder rights are violated.

The observance of shareholder rights is guaranteed by:

- the existence of a reliable registration system for stock ownership rights;
- high liquidity in the company's shares;
- the absence of risks related to a dilution of equity interest (A shareholders meeting must approve decisions concerning the issuance of new stock. Furthermore, company bylaws state that there are no special rights issues and all shareholders have priority in acquiring new stock.);
- the company's transparency in terms of information dissemination:
 - all information disclosures required by the Regulation on Information Policy are published on the corporate website (www.sibneft.com) in Russian and English;
 - shareholders have access to full and reliable information, including on the company's financial status, its operations and essential facts related to its financial and economic activities;
- the existence of effective oversight for the company's financial and economic activities:
 - by the Management Board, over implementation of production, financial and economic plans;
 - by the Board of Directors, over the results of work by company managers;
 - by the Board of Directors Audit Committee, over the efficiency of internal audit and risk management systems;
 - by the company's Auditor, over the trustworthiness of financial reports;
 - by the Audit Commission, over the company's financial and economic activities and the efforts of management structures.



8. Prospects for Corporate Development

Sibneft's main operational goals for 2005 include:

Improving the technical and economic efficiency of oil production

- Stepping up oil production on the basis of advanced field development technologies.
- Expanding the company's resource base and raising crude oil extraction by acquiring assets in the new and promising regions.

Increasing gas market share

- Maximum commercialization of petroleum gas resources by way of effective processing at refineries belonging to OAO AK Sibur, while decreasing to a minimum the level of gas flaring.
- Organization of deliveries and acquisition of new customers for natural gas in Western Siberia.

Improving refined products quality and refining efficiency

- Further implementation of projects as part of the company's ongoing technical modernization plan for OAO Sibneft-Omsk Refinery, including:
 - the completion of modernization of a catalytic reforming unit to be commissioned in the third quarter of 2005;
 - the start of construction of spot loading racks, with the first phase to be commissioned in the fourth quarter 2005; and
 - the completion of the first phase of modernization of the AT-9 crude distillation unit, putting into operation a furnace block in April 2005.
- Realization of the first phase of a long-term program for full scale managerial and technological modernization of the Omsk Refinery.

Expanding business in geographical areas of operation

- Improving the quality of services offered to refined product consumers at retail sites, expanding the range of retail services, developing and introducing a unified service product, developing and introducing loyalty programs for corporate clients and private individuals on the basis of Sibneft mobile cards, and initiating promotional campaigns with the purpose of attracting new clients to the company's service stations.
- Modernizing the existing marketing networks, building filling stations in line with European standards, and strengthening the company's positions in new refined product markets (St. Petersburg, Nizhny Novgorod).
- Developing multi-fuel filling stations in Omsk, Tyumen, Ekaterinburg.

Improving services company management

- Increasing the operational efficiency of subsidiary services companies.
- Developing a competitive market for services.



- Developing and introducing common criteria for evaluating evaluation at subsidiary service companies.
- Improving transparency in pricing for services by subsidiaries, with a view towards promoting the competitiveness of the service market.
- Making sure that the company's subsidiaries expand their businesses in the market.

Promoting the development of management systems

- Developing and perfecting business processes in the company with the purpose of building an effective system of oversight.
- Instituting process-based support for automation and information dissemination for business processes in the company.

Personnel development

- Introducing common standards and personnel management processes at the company.
- Developing an evaluation system and training for leading specialists.
- Promoting the development of a program for attracting highly-skilled specialists and talented young graduates.

President, OAO Sibneft

_____ **E. M. Shvidler**

Chief Accountant, OAO Sibneft

_____ **E. N. Sukharkova**